



Report to the Legislative Oversight Committee

Plan for Reducing Subsidization for ICN Video Rates by 2007

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TABLE OF CONTENTS

Introduction	3
Issues Affecting Significant Changes in Rates and Usage Expectations	5
Issues Affecting Administrative Use	7
Issues Affecting K – 12 Usage	7
Recommendations for Reaching Zero Subsidization	11
Appendix 1 Legislative and Iowa Code References	17
Appendix 2 Consortium Schedule	20
Appendix 3 A. Recommended Model	21
B. <i>Proposed Model to Reach Zero Subsidization by 2005</i>	22
C. Original Model Detail	23
Appendix 4 Proposed Policy Changes	24
Appendix 5 Comments on Draft Report – Regent Institutions	26
Appendix 6 Comments on Draft Report – Community College Telecommunication Council	30
Appendix 7 Comments on Draft Report – Iowa School Board Association	31
<i>Appendix 8 Video Rate Schedule FY 2000 – 2004</i>	32
<i>Appendix 9 General Fund Subsidization Appropriation Trend</i>	33

Introduction

The Requirement. Senate File 2433 enacted following the 2000 Iowa legislative session required that “the Iowa telecommunications and technology commission (ITTC) shall develop a long-term plan for establishing rates that will eliminate, by June 30, 2007, the need for legislatively appropriated funds to be used for subsidization of Network costs for authorized users.” (See Appendix 1, Item 1)

The Process. As the ICN staff began development of an economic model that would fulfill the zero subsidization criteria, they met with educational users to obtain their perspective on what options would fit their budget and curriculum strategies. ICN staff met with representatives from the following groups during the summer and fall of 2000:

Educational Telecommunications Council (ETC), an advisory group to ITTC

Iowa State Education Association

School Administrators of Iowa

Iowa Association of School Boards

School Superintendents

Board of Regents

Iowa Association of Community College Trustees/Presidents

Curriculum Directors (AEA 11)

Select Staff from Department of Education, Governor’s Office, and Legislature

A preliminary draft of this report was distributed to all of the above participants for their comments. Comments received by the ICN that were relevant to the issues in the report have been inserted in the text. Full text of the comments is included in Appendices 6 through 8 of this report.

Initial Economic Model. The initial economic model that was developed by the ICN to meet the requirements in SF 2433 called for a 16 percent annual increase in rates and 18 percent increase in video usage by all ICN users to reach zero subsidization in FY 2007. The model also assumed a 5 percent annual increase in the cost to produce full-motion video.

Findings. As various models were investigated it was discovered that for any model to be successful, all user groups would have to increase video usage. The area that is of greatest concern is the K-12 video usage has not increased comparably with the ramp-up-rate previously achieved by higher education users. It was determined through the discussions with representatives from the various groups listed above that there are several challenges/barriers constraining K-12 educational video usage.

- Substantially increased rates constrain usage and there is no support for a substantial rate increase by either educational or other authorized users.
- Rural schools’ video usage is lower than urban schools’ video usage.
- The state’s investment in the ICN infrastructure is not being realized.

- The current cost recovery method does not promote expanded use of ICN video services.
- The current video usage growth rate by educational users does not meet the necessary growth rate.
- The impact of the eight largest video users on any model is very substantial.
- There are a number of barriers that prevent growth in K-12 educational video usage.

Actions Taken.

September 19, 2000 – Most of these findings were presented to the Legislative Oversight Committee on September 19, 2000. Educational users presented their reactions to the economic model calling for an annual rate increase of 16 percent and usage increase of 18 percent. Following these presentations, the Legislative Oversight Committee voted to recommend that the ITTC keep the ICN video rate increase level at 5 percent for the next two years with a goal of reaching a maximum reduction or possible elimination of all video subsidization by FY 2007.

September 20, 2000 – The ITTC voted to increase ICN video rates for FY 2002 by 5 percent and request that the Legislature increase the total subsidization to the Network to \$5,293,000.

December 26, 2000 – The ICN was granted “common carriage status” by the Federal Communications Commission (FCC). The Telecommunications Act of 1996 provided for funding for advanced telecommunications services for K-12 schools and public libraries through the Universal Service Fund (USF). This fund is supported by dollars paid in by all telecommunications carriers.

Up until December of 2000, schools and libraries obtaining refunds for Internet services from the ICN were eligible to obtain these refunds, but because the ICN was not designated as a common carrier by the FCC, the refunds were not available for long distance voice services or video services provided by the ICN. Besides reducing the funding required by the schools, the State of Iowa received funding because it subsidized the video services received to eligible authorized users. Attaining this status gives a cost savings in two ways:

- 1. By allowing authorized users to obtain a discount from the USF for Internet, voice and video services, and*
- 2. The ICN is eligible for carrier-to-carrier rates on services and circuits leased from other telecommunications carriers, which is a lower rate.*

Issues Affecting Significant Changes in Rates and Usage Expectations

No Support for Significant Rate Increase. There is no collective support for video rate increases by educational authorized users. Educational users share the opinion that there was an understanding by decision makers when the Network was built that the state would subsidize the use of the video services enabling the equalization of educational opportunities for students throughout the state. Users told us that they will absorb an inflation increase of 5 percent annually, but more significant increases will cause them to decrease their utilization of the Network. *(Comment: University of Iowa, College of Continuing Education – “The College of Continuing Education supports the proposed policy changes in Appendix 5. If the charges are raised, however, the University may have to eliminate sites with low enrollment.”)*

Increasing video rates by 16 percent is in conflict with the need to increase video usage hours. Because most ICN users are public entities funded from taxpayer dollars, limited budgets drive the users’ utilization of the ICN. Users have a certain amount budgeted for various video applications. In most cases, if rates are increased substantially, educational users will still have the same amount of dollars to spend on video applications, but in exchange they will use fewer hours.

The ITTC has raised rates for most users at an annual rate of five percent. See Appendix 8.

Current Video Usage Growth Rate. The economic model adopted by the Iowa Telecommunications and Technology Commission (ITTC) several years ago projected that video usage would grow at an annual rate of 15 percent. This model was based on the annual growth rate demonstrated by higher educational users. Usage met the projections in the model for several years but in FY 2000, ICN video usage grew only by 4 percent. Any model that is adopted to move toward zero subsidization in FY 2007 must include factors that will stimulate video usage. *Growth rate for video usage actually declined during FY 2002. This decline was due to budget constraints faced by ICN authorized users as well as the fact that the barriers listed in this document still exist.*

The Impact of Large Video Users. There are currently eight large ICN educational video users. Their usage accounts for 70 percent of the educational video hours produced and 45 percent of all video production. They include the three Regent universities, four community colleges, and one private college. The loss of the hours utilized by any one of the eight large users will prevent any plan’s success.

In a presentation to the Legislative Oversight Committee on September 19, 2000, a representative from Kirkwood Community College, one of the large video users stated:

“If the decision is made to eliminate the ICN video subsidy necessary to maintain affordable access, and the result is a dramatic increase in video rates...then Kirkwood will most likely pursue the digitized microwave option and cease using the ICN for our instructional delivery. And we will not be alone. A number of Iowa’s other community colleges also have microwave systems,

including Iowa Central in Fort Dodge and Eastern Iowa in Davenport, and they too have expressed a similar concern and commitment.”

The loss of usage hours of even one large user would be catastrophic. In looking at the initial economic model presented to the Legislative Oversight Committee, the loss of one large user could equal a loss of 15 percent of the gross educational video revenue. In order to realign the model to move toward zero subsidization by 2007, the annual growth rate requirement for remaining users would move from 16 percent to 19 percent over each of the six years and increase the annual hourly growth requirement to 21 percent.

Issues Affecting Usage by Administrative Users

ICN administrative video usage (meetings between administrative users including libraries, state agencies, federal agencies, and the National Guard that are not classified as training) has not displayed a robust growth pattern. In fact, video usage dropped between fiscal years 1999 and 2000. Although users outside the educational community were not extensively interviewed, following are identified barriers to achieving robust video growth by administrative users of the Network.

- **Substantial Rate Increases.** The video rates for FY 2000 were raised by over 14 percent from \$10.50 per hour per site to \$12.00 per hour per site. This significant raise in rates caused video usage to decrease from 29,101 hours in FY 1999 to 27,703 in FY 2000. *(Comment: University of Iowa Hospitals and Clinics (UIHC) – “Rates for telemedicine activities will remain at an unsubsidized level of \$48.20 for FY 2002 and increase at 5% per annum after that [in the model]. The actual hours have decreased from FY 1999 to FY 2000 (and this downward trend is likely to continue as long as rates continue to increase). However the ICN is projecting increases in utilization. Alternative methods using newer technology for running telemedicine projects have been developed which should continue the downward trend of medical use for the ICN system. UIHC believes these alternative methods are the operating trend for the future. This trend is not consistent with the ICN plan. To increase ICN usage, as the ICN has projected, the video rates will need to be lowered. Telemedicine is a service to rural and under-served Iowans that should be supported, rather than penalized.”)*
- **Lack of Support.** State agencies have not taken full advantage of video conferencing for meetings. Large volume administrative users of the Network have shown significant savings by using the ICN for meetings rather than paying for travel for out-of-town participants.

Issues Affecting Usage by K-12 Users

Current Barriers to K-12 Usage In setting the economic model supporting a 5 percent annual rate increase for full-motion video services several years ago, the ITTC anticipated that the K-12 growth rate would mirror the growth rate pattern set by the higher educational institutions of 15 percent per year. Unfortunately in FY 2000, we saw a growth rate for full-motion video services of only 4 percent. As the ICN staff met with educators and administrators of educational associations, it was determined that there are a number of barriers keeping the K-12 growth rates dramatically lower than projected.

K-12 usage for the past two years has remained flat. *(Comment: University of Northern Iowa – “The ICN did a good job identifying key issues regarding K-12 usage, and recommendations for resolving them. Since increased usage is key to the ICN financial plan, it’s imperative that most, if not all, of the issues be resolved.”)*

- **Current Funding Mechanisms for Shared Students.** Iowa Code 257.11(2) as amended by HF 2496 allows K-12 districts to receive extra funding (weighting)

for shared classes or teachers. This funding is for either school-to-school or school-to-community college classes. In FY 2000 this funding totaled \$17.4 M. (See Appendix 1, Item 2) There are no funding credits for classes shared over the ICN. This discourages use of the ICN video classroom, since its use results in a cost to the school district rather than a revenue source.

- **Current Funding Mechanisms for Dual Credit Courses Over the ICN.** Since schools are not granted weighting for dual credit courses (classes providing both high school and higher ed credit) provided primarily by community colleges, funding for these classes fall under the Post Secondary Enrollment Options Act (Iowa Code 261C). School districts are charged \$250 per student per course for these dual credit courses offered over the ICN. Districts do not favorably support this charge and students are not allowed/encouraged to take advantage of the dual credit courses. (See Appendix 1, Item 3)
- **Certified Teacher in Classroom During ICN Session.** It is perceived by school districts that Iowa Code 256.7(7) requires that a licensed teacher be in the classroom at a remote site during a video telecommunications session. (See Appendix 1, Item 4) *This language has been changed. However, many districts still require a licensed teacher in the classroom at remote video sites.*
- **Inconsistent Bell Schedules and School Calendars.** There are not consistent class period lengths, start times, and school calendars among K–12 districts in Iowa. This makes sharing classes difficult.
- **Lack of Consortiums Throughout K-12 Schools to Coordinate Usage Plans.** Ten northwest Iowa schools have banded together to form a consortium. Each school offers a class during one period of the day and pays all of the ICN expenses for that class. (See Appendix 2) Leadership from AEA 12 and leadership by the school districts' administrators allowed for the consortium to be sustained. Lack of leadership to assist schools in building consortiums to coordinate shared curriculum plans in other areas of the state is common. We have recently been advised that several other areas of the state are working toward creation of consortiums. *These consortiums have never really developed. However the NW Iowa Consortium has grown to include 13 schools.*
- **Classroom Usage Fees.** Current ITTC administrative rules allow for a maximum room charge of \$12.50 per hour by ICN site facilities for classroom usage by other ICN users. The fee is to cover the cost of having someone available to open/close the facility, utility costs, and janitorial expense. Educational users see this fee as a deterrent to usage since, in many cases, the room use fee is higher than the video rate fee.
- **Lack of K-12 Principals' Leadership Support.** Educators believe that there is a lack of support by administrators in providing adequate training, assistance in

scheduling, leadership, and interest in overcoming the barriers to video use and in providing technical support.

- **Lack of Staff Development.** Educators believe that more staff development courses could be offered over the Network.
- **Lack of ICN Room Access for Elementary and Middle Schools.** Elementary and middle school educators indicate that often they are unable to participate in some of the one-time sessions that are offered because there are not enough repetitive sessions for equality in attendance. The educators also indicate that because oftentimes there is only one classroom in the district which is located at the high school, there is a need for increased availability of rooms for one-time events developed for younger students in the district.

Changes In The K-12 Environment That Will Affect ICN Video Usage. The education environment is changing in Iowa.

- **Declining Enrollment.** For the fourth straight year, enrollment in Iowa school districts has decreased as cited on the website:
(<http://www.state.ia.us/educate/programs/oofd/newsrelease.html>). Already small districts are becoming smaller. Communities want to keep their local districts and often struggle against school consolidation efforts. Loss of the school is often perceived as a major step in the decline of a town's economic stability.
- **Teacher Shortage.** There is a national teacher shortage and small and large districts have to compete for the same teachers. Many of the smaller districts do not have the resources to attract teachers to their district.
- **Equality of Educational Resources for Iowa High School Students.** Advanced classes should be offered to all Iowa high school students to ensure that all students going onto college have the same educational resources. All Iowa high school students going onto technical careers also need to have the educational resources required to enter the workforce or receive advanced training after high school graduation. During the 2000 legislative session, the General Assembly appropriated funding to the Iowa Department of Education to plan for the implementation of pilot regional high school academies in Iowa. The legislation that was included in House File 2549 states that "The department (of Education) shall establish pilot regional academies... to provide high school students with advanced level courses and technical courses not currently available within the curriculum in their district or attendance." The Department of Education has requested applications for grants. It is anticipated that 15 planning grants of \$10,000 each will be awarded. A consortium of at least two public high schools each in a different district made application for the grants, with at least one of the districts having a student population of 500 students or less in grades 9 – 12.

Distance learning via the ICN will play a key role in this changing educational environment. As smaller districts want to retain their status, they will need to share classes/teachers. One way to do that is by using the ICN video services. Although not specifically mentioned in HF 2549, the Department of Education is emphasizing telecommunications as a way to achieve the end goals of regional academies.

Recommendations for Reaching Zero Subsidization

Educational Uses.

Increase Usage.

The key to reducing the subsidization from the State's general fund for video rates to educational users is to increase usage substantially while allowing the rates to increase modestly. Because approximately 80 percent of the cost to produce video services is fixed, the greater the number of hours used, the lower the cost per hour. One variable that will also affect the amount of subsidization necessary to meet the assumptions made in the model is the receipt of funds from the Universal Service Fund for telecommunications services. The Telecommunications Act of 1996 allowed school districts and libraries to obtain financial assistance in funding their use of telecommunications services including video, voice and data. After the FCC ordered that the ICN was a common carrier on December 21, 2000, schools could begin filing applications for this funding. This funding which is available to the schools allows the ICN to charge video rates that reflect more accurately the cost to produce video service. If the ICN is able to retain the state's share of the USF reimbursements from the Universal Service and the following usage goals are met, the subsidization appropriation request for FY 2007 is estimated to be \$1,126,375 and \$116 by FY 2008. (See Appendix 3)

- **Increase K-12 to K-12 usage to 200,697 hours by 2007.**
 - Create more consortiums.
 - Develop regional academies.
 - Add more sessions to one-time events.
 - Increase the number of shared K-12 to K-12 academic courses.
- **Increase Higher Education Usage.**
 - Grow four more large users in the private college, community college arenas with usage estimated at 20,000 hours per year. (*Comment: Iowa State University – "ISU personnel believe the Internet will become a bigger player in distance education, and that there will be decreasing use of traditional ICN rooms with their comparatively expensive broadcast video technologies. If this is true, the ICN estimates of video usage are likely overstated in the plan. There is not specific language in the plan to make the Regent Institutions liable for increasing costs or shortfalls of revenue due to over optimistic projections of usage; however, ISU is concerned how a shortfall may be addressed."*)
- **Increase usage by 16% annually for all other users.**

Although this model has not been implemented and the state has faced economic challenges in the past two years, the ICN is requesting only \$500,000 for FY 2004 and no General Fund Subsidization for FY 2005. . See Appendix 9.

Remove Barriers.

- **Current Funding Mechanisms for Shared Students.** Amend the Iowa Code 257.11(2) as amended by HF 2496 to allow K-12 districts to receive the extra funding (weighting) for shared classes or teachers including classes held over the ICN. Use of distance learning via ICN classrooms would reduce risks to students by eliminating travel and allowing more time for studying. When asked for his support on this issue, Department of Education Director Ted Stilwill responded, “Additional weighting simply to encourage ICN usage would appear as a double subsidy. This is a matter that needs to be considered in the context of encouraging certain specific sharing behaviors among schools and districts that respond to the need for access to quality educational opportunities.” The ICN does not believe that providing “weighted funding” is double subsidization. *(Comment: University of Northern Iowa – “UNI doesn’t understand the opposition to allow districts to receive funding for shared classes over the ICN. Without this revision, school districts appear to have a financial incentive to share classes in the old fashioned, physical presence manner but not incentive to share classes via the ICN even though the costs are less to do so. All in all, the present system amounts to a disincentive for school districts to use the ICN to share classes.”)* *(Comment: Iowa School Board Association – “The only case where travel for shared classrooms is made is in the case with certain teachers, those who leave and come back. Students and others do not get reimbursed for travel.”)*
- **Current Funding Mechanisms for Dual Credit Courses Over the ICN.** Amend Iowa Code 257.11 (2) as stated in preceding bullet.
- **Certified Teacher in Classroom During ICN Session.** Although administrative rule 281-15.5 clarifies the existing Iowa Code language stating that teachers do not have to be in remote classrooms during ICN session, educators are still not clear regarding the requirement. There are two options to allow for the removal of this barrier. Iowa Code 256.7(7) could be amended to clarify that a licensed teacher does not have to be in the remote classroom(s) during a telecommunications session, (See Appendix 4) or through an intense public awareness campaign, which insures that educators are aware of administrative rule 281-15.5 regarding this issue. *(Comment: Department of Education and Iowa School Board Association – Their suggested clarification of verbiage is included in this section.) This verbiage has been changed, but many schools still choose to have a licensed teacher in the classroom for liability reasons.*
- **Inconsistent Bell Schedules and School Calendars.** Encourage school administrators to work together to reduce this barrier. The ICN, in conjunction with IPTV, is currently collecting bell schedule information so schools can quickly find those schools in the state that run on an identical schedule. Bell

schedules for some schools are now available on IPTV's Iowa Database Web site ICN video site information pages.

- **Lack of Consortiums Between K-12 Schools to Coordinate Usage Plans.** AEAs and school district administrators must provide leadership for the development and ongoing support of consortiums and regional academies. The regional academy program will foster the creation of consortiums.
- **Classroom Usage Fees.** The ITTC will revisit the administrative rule allowing for a maximum charge of \$12.50 per hour by ICN site facilities for classroom usage by other ICN users to see if a reduced fee could be agreed to by facilities that house an ICN classroom. (See Appendix 4) (*Comment: University of Iowa – “Reduction of room use fees could result in reduced room maintenance or complete abandonment of facilities. \$12.50/hour for use is not enough to support room operation given the personnel and non-ICN equipment that is added to a room. This action could become counter-productive to the desired increase in utilization.”*)
- **Lack of K-12 Principal Leadership Support.** Adequate training, assistance in scheduling, leadership and initiative in overcoming other barriers to video use as well as providing technical support must be provided by school principals and other administrators. (*Comment: School for the Deaf – “A substantial effort has to be made with the K-12 programs, and the community colleges, to get them to use the ICN more. ISD suggests that in-service training would be an effective and appropriate way to introduce such staff to the potentials of the ICN. Teacher training programs need to make better introductions to this area in addition to the computer technology utilization.”*)
- **Lack of Staff Development.** The number of staff development courses offered over the Network provided by AEAs and others must increase. (*Comment: University of Iowa – “The recommendations for increasing K-12 utilization and user training for enhanced use are laudable, however, at the present time there seems to be no assured funding source to support this. Administrative use of the system should be strongly encouraged unless a strong case can be made for an actual face-to-face meeting.” Comment: Iowa School Board Association – “It’s been shown that the staff development that makes the biggest difference in the education of students is the kind done within a school district staff on a regular, on-going basis. Concentrating on their efforts in achieving their district specific goals. This won’t be done over the ICN. That’s not to say that the ICN won’t be used for staff development, but with the efforts to improve our educational system, this may not be the staff development needed by school districts.”*)
- **Lack of ICN Room Access for Elementary and Middle Schools.** Districts offering popular sessions must work toward making more of these sessions

available. Completion of the ATM/MPEG2 upgrade will allow for additional classroom opportunities.

Administrative Uses.

- **Leadership Support.** Administrative users need to support and encourage the use of ICN video services for teleconferencing. When meeting participants are from various corners of the state, use of video conferencing allows greater participation since driving time is reduced, and a more efficient use of the state's funding resources since, mileage, lodging and meals are eliminated.
- **Accessible Government Use.** Accessible government use of the ICN for public hearings and public meetings allows all Iowans more access to the workings of our state government.

Other Comments Received by the ICN Regarding the Preliminary Draft of this Report:

Appendices 6 through 8 include the full text of the comments received by the ICN regarding the preliminary draft version of this report from the Board of Regents and from the Iowa Community College Council. We have incorporated those comments which dealt directly with the report content into the appropriate text. Following are those comments that deal with issues relevant to this report but not content specific.

- *Comment: University of Iowa – “In all the numbers presented, cost reductions or savings from the network upgrade have not been addressed. Real cost of personnel took a dramatic drop in FY 2000 (Appendix 3) as did fixed operating costs. It is suggested that more work be done to reduce costs as part of the subsidy issue.”*
- *Comment: Iowa State University – “Iowa State University concurs with the idea advanced by the ICN that subsidizations for older technology services come from the legislature and not from cross-subsidizations from monies garnered from other services. Substantially increasing video rates may financially discourage ICN video use and, consequently, may call for further subsidization. Any such subsidization must not come from cross-subsidization. Iowa State University must have services such as voice and the Internet offered at their economically determined cost. If it is determined that a non-self-supporting service is valuable, it should either have legislative appropriations, higher rates, or some other source of funding that does not make these other services non-competitive.”*
- *Comment: University of Northern Iowa – “If K-12 can become substantial users of the ICN, the costs will be shared by a much wider audience, lowering the costs for all. In some cases use of the ICN by K-12 will also reduce travel costs, resulting in a net savings to taxpayers. Removal of the barriers will also provide greater service to K-12 students, many of whom are limited to what their particular school district offers and who*

would benefit by exposure to the interactive video learning system itself provided by the ICN.”

- *Comment: Iowa Braille and Sight Saving School – “IBSSS doesn’t see the withdrawal of subsidization by 2007 as viable. The use of the ICN is seen as a valuable option, and IBSSS is making an effort to use it more.”*

The Education Telecommunications Council (ETC) met December 14, 2000 and discussed various sections of this report. The council elected to forward no collective comments to the ICN regarding this report.

In Summary

~~Based upon the FCC decision to provide USF discounts to the ICN, it is possible for the ICN to reach a near zero subsidization rate by FY 2008. Three elements are essential in reaching this goal. The first is that the ICN receives the State’s share of the USF discounts. Second, the projection of video usage rates included in the model can be obtained. Finally, appropriations are made at the level indicted in the proposed model.~~

Update: The ICN has made great strides in moving toward no reliance on the State’s General Fund subsidization of K-12 video rates. This has been possible by the recognition of the ICN as a common carrier by the FCC. Subsidization funding for the Iowa Communications Network for 2002 was appropriated at \$2,116,871 and for FY 03 \$1,002,356. The budget request for video subsidization is \$500,000 for FY 2004. The network has been able to absorb video subsidization budget cuts due to revenues realized for the cross-subsidized portion of the Universal Service Fund. Due to the ICN being recognized as a common carrier, K-12 ICN video services users are eligible to receive Universal Service Fund discounts associated with video services. To maximize receipt of Universal Service Fund opportunities by K-12 video users it is vital that K-12 usage is increased rather than remaining “flat” as it has for the past several years.

The original model is still included, Appendices 3A and 3C. An updated model has also been included that demonstrates hour usage projections that are more realistic taking into account the change in the state’s appropriation levels and the educational environment in the state, which indicates no movement to remove the barriers to a greater utilization of the network by K-12 users. (See Appendix 3B

Legislative and Iowa Code References

ITEM # 1 Senate File 2433, Section 2.4b. Notwithstanding paragraph "a", the general assembly declares its support for, and that it is the intent of the general assembly to continue, subsidization of video rates charged to libraries, public or nonpublic schools for grades kindergarten through twelve, private universities and colleges, community colleges, and institutions under the control of the state board of regents. Except for original debt service, the Iowa telecommunications and technology commission shall develop a long-term plan for establishing rates that will eliminate, by June 30, 2007, the need for legislatively appropriated funds to be used for subsidization of Network costs for authorized users other than the Network costs associated with video rates charged to public or nonpublic schools for grades kindergarten through twelve, private universities and colleges, community colleges, and institutions under the control of the state board of regents.

Item # 2 Code of Iowa, Chapter 257.11 as amended by House File 2496. Shared Classes Delivered over the Iowa Communications Network. A pupil attending a class in which students from one or more other school districts are enrolled and which is taught via the Iowa communications Network is not deemed to be attending a class in another school district or in a community college for the purposes of this section and the school district is not eligible for supplementary weighting for that class under this section.

Item # 3 Code of Iowa, Chapter 261C

1. Title. This chapter may be cited as the "*Postsecondary Enrollment Options Act*".
2. Policy. It is the policy of this state to promote rigorous academic or vocational-technical pursuits and to provide a wider variety of options to high school pupils by enabling ninth and tenth grade pupils who have been identified as gifted and talented, and eleventh and twelfth grade pupils, to enroll part-time in nonsectarian courses in eligible postsecondary institutions of higher learning in this state.
3. Definitions. As used in this chapter, unless the context otherwise requires:
 - 3.1. "*Eligible postsecondary institution*" means an institution of higher learning under the control of the state board of regents, a community college established under chapter 260C, or an accredited private institution as defined in section 261.9, subsection 1.
 - 3.2. "*Eligible pupil*" means a pupil classified by the board of directors of a school district, by the state board of regents for pupils of the school for the deaf and the Iowa braille and sight saving school, or by the authorities in charge of an accredited nonpublic school as a ninth or tenth grade pupil who is identified according to the school district's gifted and talented criteria and procedures, pursuant to section 257.43, as a gifted and talented child, or an eleventh or twelfth grade pupil, during the period the pupil is participating in the enrollment option provided under this chapter. A pupil attending an accredited nonpublic school shall be counted as a shared-time student in the school district in which the nonpublic school of attendance is located for state foundation aid purposes.
4. Authorization. An eligible pupil may make application to an eligible institution to allow the eligible pupil to enroll for academic or vocational-technical credit in a nonsectarian course offered at that eligible institution. A comparable course, as defined in rules made by the board of directors of the public school district, must not be offered by the school district or accredited nonpublic school which the pupil attends. If an eligible institution accepts an eligible pupil for enrollment under this section, the institution shall send written notice to the pupil, the pupil's school district or accredited nonpublic school or the school for the deaf or the Iowa Braille and sight saving school, and the department of education. The notice shall list the course, the clock hours the pupil will be attending the course, and the number of hours of postsecondary academic or vocational-technical credit that the eligible pupil will receive from the eligible institution upon successful completion of the course.

5. High school credits. A school district, the school for the deaf, the Iowa braille and sight saving school, or accredited nonpublic school shall grant high school academic or vocational- technical credit to an eligible pupil enrolled in a course under this chapter if the eligible pupil successfully completes the course as determined by the eligible institution. Eligible pupils, who have completed the eleventh grade but who have not yet completed the requirements for graduation, may take up to seven semester hours of credit during the summer months when school is not in session and receive credit for that attendance, if the pupil pays the cost of attendance of those summer credit hours. The board of directors of the school district, the state board of regents for the school for the deaf and the Iowa braille and sight saving school, or authorities in charge of an accredited nonpublic school shall determine the number of high school credits that shall be granted to an eligible pupil who successfully completes a course.

The high school credits granted to an eligible pupil under this section shall count toward the graduation requirements and subject area requirements of the school district of residence, the school for the deaf, the Iowa braille and sight saving school, or accredited nonpublic school of the eligible pupil. Evidence of successful completion of each course and high school credits and postsecondary academic or vocational-technical credits received shall be included in the pupil's high school transcript.

6. School district payments. Not later than June 30 of each year, a school district shall pay a tuition reimbursement amount to an eligible postsecondary institution that has enrolled its resident eligible pupils under this chapter. For pupils enrolled at the school for the deaf and the Iowa braille and sight saving school, the state board of regents shall pay a tuition reimbursement amount by June 30 of each year. The amount of tuition reimbursement for each separate course shall equal the lesser of:
 1. The actual and customary costs of tuition, textbooks, materials, and fees directly related to the course taken by the eligible student.
 2. Two hundred fifty dollars.

A pupil is not eligible to enroll on a full-time basis in an eligible postsecondary institution and receive payment for all courses in which a student is enrolled.

7. Transportation. The parent or guardian of an eligible pupil who has enrolled in and is attending an eligible postsecondary institution under this chapter shall furnish transportation to and from the eligible postsecondary institution for the pupil.
8. Prohibition on charges. An eligible postsecondary institution that enrolls an eligible pupil under this chapter shall not charge that pupil for tuition, textbooks, materials, or fees directly related to the course in which the pupil is enrolled except that the pupil may be required to purchase equipment that becomes the property of the pupil. However, if the pupil fails to complete and receive credit for the course, the pupil is responsible for all costs directly related to the course as provided in section 261C.6 and shall reimburse the school district for its costs. If the pupil is under eighteen years of age, the pupil's parent, guardian, or custodian shall sign the student registration form indicating that the parent, guardian, or custodian is responsible for all costs directly related to the course, if the pupil fails to complete and receive credit for the course.

If the local area education agency verifies that the pupil was unable to complete the course for reasons including but not limited to the pupil's physical incapacity, death in the family, or the pupil's move to another school district, a verification by the area education agency shall constitute a waiver to the requirement that the pupil, pupil's parent, guardian, or legal custodian pay the costs of the course to the school district.

9. Tuition refund. An eligible postsecondary institution shall make pro rata adjustments to tuition reimbursement amounts based upon federal guidelines established pursuant to 20 U.S.C. § 1091b.

Item #4 Code of Iowa, Chapter 256.7(7) Adopt rules under chapter 17A for the use of telecommunications as an instructional tool for students enrolled in kindergarten through grade twelve and served by local school districts, accredited or approved nonpublic schools, area education agencies, community colleges, institutions of higher education under the state board of regents, and independent colleges and universities in elementary and secondary school classes and courses. The rules shall include but need not be limited to rules relating to programs, educational policy, instructional practices, staff development, use of pilot projects, curriculum monitoring, and the accessibility of licensed teachers.

When curriculum is provided by means of telecommunications, it shall be taught by an appropriately licensed teacher. The teacher shall either be present in the classroom, or be present at the location at which the curriculum delivered by means of telecommunications originates.

The rules* shall provide that when the curriculum is taught by an appropriately licensed teacher at the location at which the telecommunications originates, the curriculum received shall be under the supervision of a licensed teacher. For the purposes of this subsection, "supervision" means that the curriculum is monitored by a licensed teacher and the teacher is accessible to the students receiving the curriculum by means of telecommunications.

*Administrative Code, 281-15.5 (256) Teacher preparation and accessibility. A teacher appropriately licensed and endorsed for the educational level and content area being taught shall be present and responsible for the instructional program at the receiving site if a presenter of material transmitted via telecommunications is not an appropriately licensed and endorsed teacher for the educational level and content area. If a presenter of material transmitted via telecommunications is an appropriately licensed and endorsed teacher for the educational level and content area, a supervising teacher, or aide to whom a supervising teacher is readily available for consultation, shall supervise and monitor the curriculum and students, and be readily accessible to the students. Prior to being assigned initially to deliver instruction via telecommunications, a teacher shall receive training regarding effective practices which enhance learning by telecommunications.

Item #5 ITTC Administrative Rules, Administrative Code, 751-13.2

- a. 1(8D) Site charges. The commission, on its own or as recommended by an advisory committee of the commission and approved by the commission, shall permit a fee to be charged by a receiving site to the requesting authorized user for a video transmission provided on the Network. The fee charged shall be for the purpose of recovering the operating costs of a receiving site. The fee charged shall be reduced by an amount received by the receiving site pursuant to a state appropriation for such costs, or federal assistance received for such costs. Fees established under this chapter shall be paid by the originating site directly to the receiving site. For purposes of this rule, "operating costs" include the costs associated with the management or coordination, operations, utilities, classroom, equipment, maintenance, and other costs directly related to providing the receiving site.

1. *Site fee.* The hourly charge for a site may be up to \$12.50 per hour for use of a classroom for interactive video transmission

Northwest Iowa Consortium Schedule 2000 – 2001 School Year

Appendix 2

Course Title	Psychology	Sociology	Coll Psy	A.P. Hist	Physics	Anat & Phsy	Intro Health	Med Term	Human Anatomy	Calculus	Sociology	Psychology	Bus Law	Bus Law II	Psychology	A.P. English	Human Anatomy	AP Calculus	Bus Law
When Offered	1st Sem.	2nd Sem	1st Sem	Year	Year	Year	1st Sem	2nd sem	2nd sem.	Year	1st Sem	2nd Sem	1st Sem	2nd Sem	1st Sem	Year	1st sem.	Year	2nd Sem
Host Site	BC/IG	BC/IG	L/B	BC/IG	MV/AO	G-H	WC	WC	OA	MVAO	RC	RC	G-H	G-H	K-P	H	OA	H	KP
Time Offered	7:00 - 8:15	7:00 - 8:15	8:30 - 9:15	8:30 - 9:12	8:30 - 9:15	9:20 - 10:05	10:00- 10:42	10:00 - 10:42	10:00 - 10:47	10:05 - 10:50	11:00 - 11:45	11:00 - 11:45	12:45 - 1:30	12:45 - 1:30	1:05 - 2:00	1:05 - 1:50	1:44 - 2:31	1:53 - 2:39	2:45 - 3:30
Hinton					4	4		4					12						
	14	20	11			15	8	5											
Maple Valley				1			2	2			17		3					2	
Battle Creek	18	12		15		5	2	2			8	11	1	1	11	0			8
Rockwell City				4						3									
Kingsley				2							9	13							
Woodbury Central				0			4	3					2					1	
Remsen Union	5	5		1			4	2					1						1
Odebolt-Arthur	6	11	5									1							
Lawton-Bronson			21																
Totals	43	48	37	23	4	24	20	18	0	3	34	25	19	1	11	0	0	3	9

Information provided on the Woodbury Central Homepage <http://www.woodbury-central.k12.ia.us/icnclass.htm>

Current year schedule is available at: <http://www.classshare.org>

Proposed Model to Minimize Subsidization of Video Rates With Universal Service Funding

Appendix 3A

Video Cost / Hour Analysis

	FY99 Actual	FY00 Preliminary	FY01 Budget	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Operating Expenses										
Variable Expenses										
LEC Circuit Charges	549,813	425,170	446,429	468,750	492,188	516,797	542,637	569,769	598,257	628,170
Personnel Expenses	1,525,827	1,039,232	1,168,340	1,274,456	1,338,179	1,405,088	1,475,342	1,549,109	1,626,565	1,707,893
Other Support Expenses	<u>234,570</u>	<u>137,624</u>	<u>154,721</u>	<u>130,129</u>	<u>136,635</u>	<u>143,467</u>	<u>150,641</u>	<u>158,173</u>	<u>166,081</u>	<u>174,385</u>
Total Variable Expenses	2,310,210	1,602,026	1,769,490	1,873,335	1,967,002	2,065,352	2,168,620	2,277,051	2,390,903	2,510,448
Fixed Expenses										
System Maintenance	2,838,959	3,020,572	3,171,600	3,243,079	3,405,233	3,575,495	3,754,269	3,941,983	4,139,082	4,346,036
Technical Support	437,003	741,526	778,602	868,294	911,709	957,294	1,005,159	1,055,417	1,108,188	1,163,597
Outside Plant Expenses	1,276,523	1,212,051	1,272,653	1,642,258	1,724,371	1,810,589	1,901,119	1,996,175	2,095,984	2,200,783
Operating Expenses	<u>441,832</u>	<u>329,981</u>	<u>346,480</u>	<u>318,234</u>	<u>334,146</u>	<u>350,853</u>	<u>368,396</u>	<u>386,815</u>	<u>406,156</u>	<u>426,464</u>
Total Fixed Expenses	<u>4,994,317</u>	<u>5,304,130</u>	<u>5,569,336</u>	<u>6,071,865</u>	<u>6,375,458</u>	<u>6,694,231</u>	<u>7,028,943</u>	<u>7,380,390</u>	<u>7,749,409</u>	<u>8,136,880</u>
Subtotal Operating Expenses	<u>7,304,527</u>	<u>6,906,156</u>	<u>7,338,826</u>	<u>7,945,200</u>	<u>8,342,460</u>	<u>8,759,583</u>	<u>9,197,562</u>	<u>9,657,440</u>	<u>10,140,312</u>	<u>10,647,328</u>
Depreciation	<u>11,024,684</u>	<u>10,988,482</u>	<u>6,881,824</u>	<u>6,899,097</u>	<u>7,017,473</u>	<u>7,182,743</u>	<u>7,182,743</u>	<u>7,541,880</u>	<u>7,918,974</u>	<u>8,314,923</u>
Debt Service Interest (Net)	<u>3,491,067</u>	<u>3,135,620</u>	<u>2,736,287</u>	<u>2,306,588</u>	<u>1,840,425</u>	<u>1,327,116</u>	<u>780,220</u>	<u>31,000</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>21,820,278</u>	<u>21,030,258</u>	<u>16,956,937</u>	<u>17,150,885</u>	<u>17,200,358</u>	<u>17,269,442</u>	<u>17,160,526</u>	<u>17,230,321</u>	<u>18,059,287</u>	<u>18,962,251</u>
Total Hours	288,192	299,142	320,291	312,000	390,448	444,791	501,299	560,322	622,260	692,966
Cost per Hour										
Operating	\$25.35	\$23.09	\$22.91	\$25.47	\$21.37	\$19.69	\$18.35	\$17.24	\$16.30	\$15.36
Depreciation	\$38.25	\$36.73	\$21.49	\$22.11	\$17.97	\$16.15	\$15.00	\$15.00	\$15.00	\$15.00
Interest	<u>\$12.11</u>	<u>\$10.48</u>	<u>\$8.54</u>	<u>\$7.39</u>	<u>\$4.71</u>	<u>\$2.98</u>	<u>\$1.56</u>	<u>\$0.06</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Cost per hour	<u>\$75.71</u>	<u>\$70.30</u>	<u>\$52.94</u>	<u>\$54.97</u>	<u>\$44.05</u>	<u>\$38.83</u>	<u>\$34.90</u>	<u>\$32.29</u>	<u>\$31.30</u>	<u>\$30.36</u>

Proposed Model to Reach Zero General Fund Subsidization by FY 2005

Appendix 3B

Video Cost / Hour Analysis

	FY99 Actual	FY00 Actual	FY01 Actual	FY02 Preliminary	FY03 Budget	FY04	FY05	FY06	FY07	FY08
Operating Expenses										
Variable Expenses										
LEC Circuit Charges	549,813	424,391	513,911	475,368	539,607	566,587	594,916	624,662	655,895	688,690
Personnel Expenses	1,525,827	1,038,774	1,128,995	1,110,188	1,265,296	1,328,561	1,408,939	1,508,973	1,616,110	1,764,793
Other Support Expenses	<u>234,570</u>	<u>124,182</u>	<u>157,113</u>	<u>162,144</u>	<u>127,157</u>	<u>178,764</u>	<u>189,579</u>	<u>203,039</u>	<u>217,455</u>	<u>237,461</u>
Total Variable Expenses	2,310,210	1,587,347	1,800,019	1,747,700	1,932,060	2,073,911	2,193,434	2,336,674	2,489,460	2,690,943
Billing Expenses					101,400	105,456	109,674	114,061	118,624	123,369
Fixed Expenses										
System Maintenance	2,838,959	3,086,474	3,330,563	3,338,489	3,340,372	3,507,391	3,682,760	3,866,898	4,060,243	4,263,255
Technical Support	437,003	732,086	696,053	699,577	780,228	819,239	860,201	903,211	948,372	995,791
Outside Plant Expenses	1,276,523	1,028,167	1,469,504	1,112,393	1,758,595	1,846,525	1,938,851	2,035,794	2,137,583	2,244,462
Operating Expenses	<u>441,832</u>	<u>339,466</u>	<u>467,226</u>	<u>471,779</u>	<u>520,251</u>	<u>546,264</u>	<u>573,577</u>	<u>602,256</u>	<u>632,368</u>	<u>663,987</u>
Total Fixed Expenses	<u>4,994,317</u>	<u>5,186,193</u>	<u>5,963,346</u>	<u>5,622,238</u>	<u>6,399,446</u>	<u>6,719,418</u>	<u>7,055,389</u>	<u>7,408,159</u>	<u>7,778,567</u>	<u>8,167,495</u>
Subtotal Operating Expenses	<u>7,304,527</u>	<u>6,773,540</u>	<u>7,763,365</u>	<u>7,369,938</u>	<u>8,331,506</u>	<u>8,793,330</u>	<u>9,248,823</u>	<u>9,744,833</u>	<u>10,268,027</u>	<u>10,858,438</u>
Depreciation	<u>11,024,684</u>	<u>10,988,482</u>	<u>9,350,235</u>	<u>9,142,447</u>	<u>9,552,562</u>	<u>10,265,014</u>	<u>10,444,041</u>	<u>10,409,027</u>	<u>9,738,069</u>	<u>9,552,562</u>
Debt Service Interest (Net)	<u>3,491,067</u>	<u>4,259,073</u>	<u>3,370,833</u>	<u>3,012,574</u>	<u>2,423,191</u>	<u>1,778,802</u>	<u>1,081,299</u>	<u>49,276</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>21,820,278</u>	<u>22,021,095</u>	<u>20,484,433</u>	<u>19,524,958</u>	<u>20,307,258</u>	<u>20,837,146</u>	<u>20,774,163</u>	<u>20,203,136</u>	<u>20,006,096</u>	<u>20,411,001</u>
Total Hours	288,192	299,962	302,514	288,505	288,505	288,505	291,390	297,218	303,162	315,289
Cost per Hour										
Operating	\$25.35	\$22.58	\$25.66	\$25.55	\$28.88	\$30.48	\$31.74	\$32.79	\$33.87	\$34.44
DOE Billing					\$1.76	\$1.83	\$1.88	\$1.92	\$1.95	\$1.95
Depreciation	\$38.25	\$36.63	\$30.91	\$31.69	\$33.11	\$35.58	\$35.84	\$35.02	\$32.12	\$30.30
Interest	<u>\$12.11</u>	<u>\$14.20</u>	<u>\$11.14</u>	<u>\$10.44</u>	<u>\$8.40</u>	<u>\$6.17</u>	<u>\$3.71</u>	<u>\$0.17</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Cost per hour	<u>\$75.71</u>	<u>\$73.41</u>	<u>\$67.71</u>	<u>\$67.68</u>	<u>\$72.14</u>	<u>\$74.05</u>	<u>\$73.17</u>	<u>\$69.89</u>	<u>\$67.95</u>	<u>\$66.69</u>

**Proposed Model to Minimize Subsidization of Video Rates
With Universal Service Funding**

Appendix 3C

Detail unchanged from original report – Does not reflect current projections

	FY 1999 Actual	FY 2000 Preliminary	FY 2001 Estimated	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Projected Hours 4% annual growth										
Admin	29,101	27,703	28,875	31,512	36,554	42,403	49,187	57,057	66,186	76,776
K-12	52,372	53,187	54,516	56,697	85,497	114,297	143,097	171,897	200,697	234,322
Hi-Ed	168,429	181,797	183,800	182,339	220,313	232,313	244,313	256,313	268,313	280,875
Training	29,933	32,372	35,100	34,945	40,536	47,022	54,546	63,273	73,396	85,140
Tel Med & Fed Usage	<u>8,357</u>	<u>4,083</u>	<u>5,330</u>	<u>6,507</u>	<u>7,548</u>	<u>8,756</u>	<u>10,157</u>	<u>11,782</u>	<u>13,667</u>	15,854
	288,192	299,142	307,621	312,000	390,448	444,791	501,299	560,322	622,260	692,966
Revenue Recovery: 5% annual rate increase										
59% Total Cost USF on K-12			0	\$0	\$1,111,083	\$1,701,856	\$2,210,126	\$2,619,931	\$3,149,923	\$3,834,822
K-12			316,196	\$345,218	\$385,431	\$541,028	\$711,221	\$897,082	\$1,099,750	\$1,348,204
Admin			386,324	421,946	513,930	625,967	762,427	928,636	1,131,079	1,377,654
Higher Ed - Annual Inc.			1,227,280	1,340,192	1,700,267	1,882,521	2,078,750	2,289,895	2,516,958	2,766,536
Training - Annual Increase			235,205	256,846	312,838	381,037	464,103	565,277	688,508	838,602
Tel Med & Fed			<u>263,738</u>	<u>288,000</u>	<u>332,516</u>	<u>339,953</u>	<u>354,510</u>	<u>380,445</u>	<u>427,719</u>	<u>481,393</u>
			\$2,428,743	\$2,652,201	\$4,356,066	\$5,472,363	\$6,581,137	\$7,681,266	\$9,013,937	\$10,647,212
Appropriation			3,181,920							
Cross Subsidization			1,728,163							
Requested State Appropriation Unfunded Requirements				(3,217,137)	(3,986,394)	(3,287,220)	(2,616,426)	(1,976,174)	(1,126,375)	(116)
Annual Expense increase 5%				6.09	6.39	6.71	7.05	7.40	7.77	8.16
				13.39	14.06	14.76	15.50	16.28	17.09	17.94
				7.35	7.72	8.10	8.51	8.93	9.38	9.85
				7.35	7.72	8.10	8.51	8.93	9.38	9.85
				44.26	44.05	38.83	34.90	32.29	31.30	30.36

Proposed Policy Changes

Item #1 Amend Code of Iowa, Chapter 257.11 as amended by House File 2496 to allow for equal weighted funding for school districts using the ICN for shared classes.

Suggested Language: ~~Shared Classes Delivered over the Iowa Communications Network. A pupil attending a class in which students from one or more other school districts are enrolled and which is taught via the Iowa communications network is not deemed to be attending a class in another school district or in a community college for the purposes of this section and the school district is not eligible for equal supplementary weighting for that class under this section.~~

Senate File 303 was introduced by Senator Steve King during the 2001 Legislative Session. The bill was not considered by the Senate Education Committee.

Section 1. Section 257.11, subsection 5, Code 2001, is amended to read as follows:

5. Shared classes delivered over the Iowa communications network. A pupil attending a class in which students from one or more other school districts are enrolled and which is taught via the Iowa communications network is ~~not~~ deemed to be attending a class in another school district or in a community college for the purposes of this section and the school district is ~~not~~ eligible for supplementary weighting for that class under this section to the same extent and on the same basis as a pupil qualifying.

Item #2 Amend Code of Iowa, Chapter 256.7(7) to clarify the expectation and conform with the Department of Education rule.

Suggested Language: ~~Adopt rules under Chapter 17A for the use of telecommunications as an instructional tool for students enrolled in kindergarten through grade twelve and served by local school districts, accredited or approved nonpublic schools, area education agencies, community colleges, institutions of higher education under the state board of regents, and independent colleges and universities in elementary and secondary school classes and courses. The rules shall include but need not be limited to rules relating to programs, educational policy, instructional practices, staff development, use of pilot projects, curriculum monitoring, and the accessibility of licensed teachers.~~

~~When curriculum is provided by means of telecommunications, it shall be taught by an appropriately licensed teacher. The teacher shall be present in the classroom at the location where the curriculum delivered by means of telecommunications originates. At sites where the teacher is not physically present, the students will be supervised by the originating teacher. School districts may provide supervision at the remote site if the district deems it necessary or if requested by the originating teacher.~~

~~The rules shall provide that when the curriculum is taught by an appropriately licensed teacher at the location where the telecommunications originates, the curriculum received shall be under the supervision of a licensed teacher. For the purposes of this subsection, "*supervision*" means that the curriculum is monitored by a licensed teacher and the teacher is accessible to the students receiving the curriculum by means of telecommunications.~~

During the 2001 Legislative Session HF 89 was passed by both houses and signed by the Governor.

AN ACT RELATING TO THE SUPERVISION OF CURRICULUM RECEIVED VIA THE IOWA COMMUNICATIONS NETWORK.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 256.7, subsection 7, unnumbered paragraph 3, Code 2001, is amended to read as follows: The rules shall provide that when the curriculum is taught by an appropriately licensed teacher at the location at which the telecommunications originates, the curriculum received at a remote site shall be under the supervision of a licensed teacher. The licensed teacher at the originating site may provide supervision of students at a remote site or the school district in which the remote site is located may provide for supervision at the remote site if the school district deems it necessary or if requested to do so by the licensed teacher at the originating site. For the purposes of this subsection, "supervision" means that the curriculum is monitored by a licensed teacher and the teacher is accessible to the students receiving the curriculum by means of telecommunications.

Item #3 ITTC Administrative Rules, Administrative Code, 751-13.2 (8D) Site Charges and Other Fees should be amended to allow for educational users to have more affordable access to facilities which will encourage additional usage of the Network.

Suggested Action: The ITTC will consider the effects of site charges on Network video usage and change the administrative rule if deemed necessary.

University of Iowa

Overview

One concern that the University has is with Classroom Usage Fees. Reduction of room use fees could result in reduced room maintenance or complete abandonment of facilities. \$12.50/hour of use is not enough to support room operation given the personnel and non-ICN equipment that is added to a room. This action could become counter-productive to the desired increase in utilization.

The recommendations for increasing K-12 utilization and user training for enhanced use are laudable; however, at the present time there seems to be no assured funding source to support this. Administrative use of the system should be strongly encouraged unless a strong case can be made for an actual face-to-face meeting.

In all the numbers presented, cost reductions or savings from the network upgrade have not been addressed. Real cost of personnel took a dramatic drop in FY 2000 (Appendix 4) as did fixed operating costs. It is suggested that more work be done to reduce costs as part of the subsidy issue.

Rates for telemedicine activities will remain at an unsubsidized level of \$48.20 for FY 2002 and increase at 5% per annum after that. The actual hours have decreased from FY 1999 to FY 2000 (and this downward trend is likely to continue as long as rates continue to increase). However, the ICN is projecting increases in utilization.

Alternative methods using newer technology for running telemedicine projects have been developed which should continue the downward trend of medical use for the ICN system. UIHC believes these alternative methods are the operating trend for the future. This trend is not consistent with the ICN plan.

To increase ICN usage, as the ICN has projected, the video rates will need to be lowered. Telemedicine is a service to rural and under-served Iowans that should be supported, rather than penalized.

The College of Continuing Education supports the proposed policy changes in Appendix 6. If line charges are raised, however, the University may have to eliminate sites with low enrollment.

Iowa State University

The action proposed in the Report to the Legislative Oversight Committee to reduce subsidization is consistent with presentations made by the ICN to the Regents-ICN committee. As such, ISU reiterates its previous comment concerning the possible form that subsidization of video might take.

ISU concurs with the idea advanced by the ICN that subsidizations for older technology services come from the legislature and not from cross-subsidization from monies garnered from other services. Substantially increasing video rates may financially discourage ICN video use and, consequently, may call for further subsidization. Any such subsidization must not come from cross-subsidization.

Iowa State University must have services such as voice and the Internet offered at their economically determined cost. If it is determined that a non-self-supporting service is valuable, it should either have legislative appropriations, higher rates, or some other source of funding that does not make other services non-competitive.

ISU personnel believe the Internet will become a bigger player in distance education, and that there will be decreasing use of traditional ICN rooms with their comparatively expensive broadcast video technologies. If this is true, the ICN estimates of video usage are likely overstated in the plan.

There is not specific language in the plan to make the Regent institutions liable for increasing costs or shortfalls of revenue due to over optimistic projections of usage; however, ISU is concerned how a shortfall may be addressed.

University of Northern Iowa

Overall, the ICN has proposed a reasonable solution for minimizing state subsidization of video rates by 2007, although the ICN admits the plan does not eliminate the subsidization. It appears the discussions with the Regent institutions and other users resulted in favorable revisions to the original proposal.

Issues & Recommendations---K-12

The ICN did a good job identifying key issues regarding K-12 usage, and recommendations for resolving them. Since increased usage is key to the ICN financial plan, it's imperative that most, if not all, of the issues be resolved.

One of the initial proposals to increase K-12 use of the ICN was to cut their costs to zero. UNI personnel argued that free ICN use could easily be abused possibly resulting in bandwidth congestion and ultimately higher costs. The whole point of increasing K-12 use is to generate more revenue for the ICN.

The case was made that there were many other, more serious impediments to better usage by K-12 schools than simply cost. The ICN plan addresses these impediments. Increased usage by K-12 will help pay for the ICN and keep rates lower than would otherwise be the case.

If K-12 can become substantial users of the ICN, the costs will be shared by a much wider audience, lowering the costs for all. In some cases use of the ICN by K-12 will also reduce travel costs, resulting in a net savings to taxpayers. Removal of the barriers will also provide greater service to K-12 students, many of whom are limited to what their particular school district offers and who would benefit by exposure to the interactive video learning system itself provided by the ICN.

UNI doesn't understand the opposition to allow districts to receive funding for shared classes over the ICN (see bottom of p.9). Without this revision, school districts appear to have a financial incentive to share classes in the old fashioned, physical presence manner but no incentive to share classes via the ICN even though the costs are less to do so. All in all, the present system amounts to a disincentive for school districts to use the ICN to share classes.

Iowa School for the Deaf

If the cost per hour escalated like the initial proposal, there would be substantially reduced use by ISD.

The sign language classes being offered at some 50 sites would be curtailed. The professional/parent discussions that occur before and after a "second opinion" evaluation by the Iowa Children's Hearing Loss Center would be curtailed, and reduced to a less effective "snail mail" communication.

A substantial effort has to be made with the K-12 programs, and the community colleges, to get them to use the ICN more. ISD suggests that in-service training would be an effective and appropriate way to introduce such staff to the potentials of the ICN.

Teacher training programs need to make better introductions to this area in addition to the computer technology utilization.

In short, ISD's usage will diminish if the price per hour goes up 16% each year. It would become cost prohibitive. ISD will continue to pursue further uses.

Iowa Braille and Sight Saving School

IBSSS doesn't see the withdrawal of subsidization by 2007 as viable. The use of the ICN is seen as a valuable option, and IBSSS is making an effort to use it more.

jaf/H/BF/tf112900attachment

APPENDIX 6

Educational Users Comments to Preliminary Draft Report
Joint comments Regional Telecommunications Council Coordinators and Community College
Telecommunications Council

December 1, 2000

Tami Fujinaka
Director of Public Affairs
Iowa Communications Network
W-4 Railroad Avenue
Camp Dodge
Johnston, Iowa 50131

Dear Tami:

On November 30, at a statewide meeting of Regional Telecommunications Council Coordinators and the Iowa Community College Telecommunications Council, there was discussion of Harold Thompson's preliminary draft of the *Plan for Reducing Subsidization for ICN Video Rates by 2007*. Although these groups agree with the basic premise of the draft, we wish to express our concern and to note that the transition to the Voss scheduling software and the ATM conversion has caused significant barriers to ICN usage. We respectfully request that the following information would be included in the document. Currently, the scheduling software is extremely slow and the procedure used to remedy this situation has been ineffective. The ATM barrier we cite is the prolonged transition period in moving from DS-3 to ATM. The problems are most prominent when a DS-3 site connects to an ATM site. We are not asserting that the migration to ATM and MPEG is incorrect, but that the transition is taking too long. It should be expedited to bring all regions up to ATM/MPEG status as soon as possible. Presumably, many of the current technical problems will then disappear.

Both have created a great deal of dissatisfaction for students and for instructors using the ICN and have contributed to static or lower use of ICN video classrooms.

Thank you.

Sincerely,

Kathryn Guilgot
Chairperson, Region I RTC and
Iowa Community College Telecommunications Council Chairperson

c: Gene Gardner

APPENDIX 7
Educational Users Comments to Preliminary Draft Report
Comments – Iowa School Board Association

E-mail received 12/21/00

Tami - again, I apologize for the delay in commenting. I'm only commenting on the issues with which we have concerns, everything else is fine. In "Remove Barriers", the first bullet states school districts pay costs of travel for shared classes. This is only the case with certain teachers, those who leave and come back. Students and others do not get reimbursed for travel. Second, please amend first bullet, page 10 to read "Amend Iowa Code 256.7(7) to clarify that a licensed teacher need not be in the remote classroom(s) . . .". The only other comment is the second to last bullet on the list. It's been shown that the staff development that makes the biggest difference in the education of students is the kind done within a school district staff on a regular, on-going basis. Concentrating on their efforts in achieving their district specific goals. This won't be done over the ICN. That's not to say that the ICN won't be used for staff development, but with the efforts to improve our educational system, this may not be the staff development needed by school districts.

That's it for now. Let me know if you have questions or comments. Thanks!

Mary Gannon
Director of Policy Services
Iowa Association of School Boards
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*APPENDIX 8
Video Rate Schedule
FY 2000-2004*

Type of User	FY 2000 (July 1, 1999)	FY 2001 (July 1, 2000)	FY 2002 (July 1, 2001)	FY 2003 (July 1, 2002)	FY 2004 (July 1, 2003)
E-rate supported use (12/2000) Kindergarten - Twelve, Public Library	\$5.50	\$5.88	\$6.10	* \$12.20	\$12.80
Post Secondary UseCommunity College Use	\$6.65	\$7.00	\$7.35	\$7.75	\$8.10
Post Secondary UseRegents/Private University Use	\$6.65	\$7.00	\$7.35	\$8.10	\$8.10
Other Training Use	\$6.65	\$7.00	\$7.35	\$8.10	\$8.50
Administrative Use	\$12.00	\$12.75	\$13.40	\$14.75	\$15.50
Federal and Telemedicine Use	\$42.60	\$42.15	\$44.26	\$53.00	\$55.70

*USF Eligibility: All public and private K-12 schools as well as public libraries are eligible for Universal Service Fund discounts. A state-level consortium has been formed which will minimize filing requirements.

APPENDIX 9
ICN Plan to reach Zero Subsidization by FY 2005
General Fund Subsidization Appropriations Trends
FY 1999-2005

